

CATALOGUE NO. 6301.0

EMBARGOED UNTIL 11.30 A.M. 27 APRIL 1995

AVERAGE WEEKLY EARNINGS, AUSTRALIA, FEBRUARY 1995 PRELIMINARY

MAIN FEATURES

| | <i>Full-time adult average weekly ordinary time earnings</i> | | | <i>Full-time adult average weekly total earnings</i> | | | <i>All employees average weekly total earnings</i> | | |
|---------------------------|--|---------------------------------------|------|--|---------------------------------------|------|--|---------------------------------------|------|
| | <i>Change (%)</i> | | | <i>Change (%)</i> | | | <i>Change (%)</i> | | |
| | <i>Nov. 1994 to Feb. 1995</i> | <i>Feb. 1994 to Feb. 1995</i> | | <i>Nov. 1994 to Feb. 1995</i> | <i>Feb. 1994 to Feb. 1995</i> | | <i>Nov. 1994 to Feb. 1995</i> | <i>Feb. 1994 to Feb. 1995</i> | |
| | (\$) | | | (\$) | | | (\$) | | |
| TREND ESTIMATES | | | | | | | | | |
| Males | 677.20 | +1.3 | +4.7 | 734.50 | +1.3 | +5.3 | 648.30 | +0.9 | +4.2 |
| Females | 564.10 | +0.6 | +3.7 | 577.80 | +0.6 | +3.6 | 425.80 | +0.0 | +2.6 |
| Persons | 636.60 | +1.1 | +4.3 | 678.10 | +1.0 | +4.6 | 544.60 | +0.5 | +3.5 |
| ORIGINAL ESTIMATES | | | | | | | | | |
| Males | 681.40 | +2.0 | +5.0 | 737.40 | +1.6 | +5.6 | 651.80 | +1.4 | +4.2 |
| Females | 566.90 | +1.1 | +3.7 | 581.00 | +1.1 | +3.7 | 430.50 | +1.3 | +3.3 |
| Persons | 639.90 | +1.7 | +4.5 | 680.80 | +1.4 | +4.9 | 548.50 | +1.3 | +3.7 |

Notes on the estimates

Trend estimates for all categories of employee earnings have risen in the three months to February 1995. This movement now marks an unbroken two year period during which quarterly average employee earnings estimates have risen for all earnings categories.

In the twelve months to February 1995 trend estimates for full-time adult ordinary time earnings rose by 4.7 per cent for males, compared with 3.7 per cent for females. This annual increase for males is the largest recorded since the twelve months ended May 1992 (4.8 per cent in that period).

Original estimates show statistically significant upward movements in all employee earnings categories.

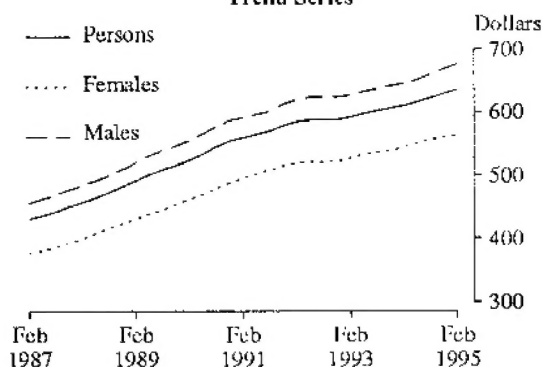
Revisions to estimates

There have been some minor revisions to the November 1994 estimates for all categories of employee earnings, except total earnings of all employees. These resulted from the incorrect exclusion of a small number of survey returns.

Seasonal Reanalysis

A reanalysis of seasonal adjustment factors has been undertaken for February 1995. As a result, some previously published seasonally adjusted and trend estimates have been revised. See paragraphs 13 and 16 of the Explanatory Notes.

**AVERAGE WEEKLY ORDINARY TIME EARNINGS
OF FULL-TIME ADULT EMPLOYEES, AUSTRALIA**
Trend Series



W. McLennan
Australian Statistician

INQUIRIES

- for further information about statistics in this publication and the availability of related unpublished statistics, contact Peter Greenfield on Perth (09) 360 5304.
- for information about other ABS statistics and services please contact Information Services on Canberra (06) 252 6627, 252 6007 or any ABS State office.

(a) See paragraph

Story Notes

EXPLANATORY NOTES

Introduction

This publication contains preliminary estimates of average weekly earnings for February 1995 based on information obtained from a sample survey of employers. Final estimates will be published in *Average Weekly Earnings, States and Australia, February 1995* (6302.0).

2. Background information about the average weekly earnings series is provided in *Information Paper: New Statistical Series: Employment, Average Weekly Earnings, Job Vacancies and Overtime* (6256.0) published on 21 June 1984, copies of which are available on request.

Scope of the survey

3. All wage and salary earners who received pay for the reference period are represented in the survey, except:

- members of the Australian permanent defence forces;
- employees of enterprises primarily engaged in agriculture, forestry and fishing;
- employees in private households employing staff;
- employees of overseas embassies, consulates, etc.;
- employees based outside Australia; and
- employees on workers' compensation who are not paid through the payroll.

4. Also excluded are the following persons who are not regarded as employees for the purposes of this survey:

- directors who are not paid a salary;
- proprietors/partners of unincorporated businesses; and
- self-employed persons such as subcontractors, owner/drivers, consultants and persons paid solely by commission without a retainer.

Survey design

5. A sample of approximately 5,000 employers is selected from the ABS register of businesses to ensure adequate State and industry representation. The sample is updated each quarter to reflect changes in the ABS register of business units. These changes arise from the emergence of new businesses, takeovers and mergers, changes to industry classification, changes in the number of employees, and businesses which have ceased operations. Such updating of the register can contribute to changes in the estimates of average weekly earnings.

6. The statistical unit for the survey comprises all activities of an employer in a particular State or Territory. Each statistical unit is classified to an industry which reflects the predominant activity of the enterprise in the State or Territory. In a small number of cases where an enterprise has significant employment in more than one industry, a separate statistical unit is created for each industry. The statistical units are stratified by State, public/private sector, industry and size of employment and an equal probability sample is selected from each stratum.

7. Since February 1992 survey data for a number of Commonwealth Government and ACT Government departments have been collected electronically. From the November 1993 survey data for a number of Northern Territory State Government departments and agencies have also been collected electronically.

Notes on estimates

8. Average weekly earnings statistics represent average gross (before tax) earnings of employees and do not relate to average award rates nor to the earnings of the 'average person'. Estimates of average weekly earnings are derived by dividing estimates of weekly total earnings by estimates of employment. Changes in the averages may be affected not only by changes in the level of earnings of employees but also by changes in the overall composition of the employed wage and salary earner segment of the labour force. There are several aspects which can contribute to compositional changes such as variations in the proportions of part-time, casual and junior employees, variations in the occupational distribution within and across industries, variations in the distribution of employment between industries.

Comparability of results

9. When comparisons are made between period to period movements in average weekly ordinary time earnings (AWOTE) for full-time adults and movements in the Award Rates of Pay Indexes (ARPI) it is important to recognise the different coverage, scope, definitions and methodology used in the construction of each series. In particular, the AWOTE series includes a number of payments additional to award rates of pay used in compiling ARPI. Allowances covered under awards which are not industry or occupation wide in their application such as site, travelling, height and dirt allowances are excluded from ARPI but included in AWOTE. The AWOTE series also includes other payments, such as shift penalty payments, overaward pay and enterprise bargaining payments. A significant number of employees are not covered by awards but are included in AWOTE. The AWOTE series is affected by compositional change in the labour force. However ARPI is not, because it is a fixed-weight index constructed from a representative 'basket' of occupations selected from the May 1985 Survey of Employee Earnings and Hours and subject to reselection and rebasing at infrequent intervals. Other factors affecting comparisons of the two series include seasonal influences on earnings and differences between the two series in the treatment of retrospective pay increases. A detailed description of the methodology, scope and definitions used in ARPI is published in *Award Rates of Pay Indexes, Australia* (6312.0).

10. It is also important to recognise that whilst average employee earnings can be derived from the Survey of Employment and Earnings (SEE) published in *Employed Wage and Salary Earners, Australia* (6248.0), these average earnings will not be comparable with those produced from the Survey of Average Weekly Earnings (AWE). In the AWE survey, information is obtained relating to a specified pay period, the last pay period ending on or before the third Friday of the middle month of the calendar

quarter. The SEE collects the sum of employee earnings paid in all pay periods ending in a calendar quarter including payments to employees which are excluded from the scope of the AWE survey such as retrospective pay, pay in advance, leave loadings and severance, termination and redundancy payments. Whilst the quarterly earnings produced by the SEE are affected by the varying number of pay periods from quarter to quarter the AWE results are unaffected because of the selection of a specified pay period in the middle of a quarter. The SEE earnings data are also more subject to seasonal variations, particularly in the December and March quarters, due to the incidence of holidays taken in January being paid in advance and the earnings being reported in December quarter figures.

Historical series

11. The series was introduced in August 1981 when it replaced the average weekly earnings series based principally on information from payroll tax returns. Revised estimates of average weekly earnings for the period August 1981 to November 1983 were included in *Average Weekly Earnings, States and Australia, March Quarter 1984* (6302.0) published on 12 July 1984. Users who need a measure of the movement in earnings for a period which spans both the payroll tax based and employer survey series should refer to Table 3 in that publication which presents both series linked to a common index base (August 1981 = 100).

Seasonal adjustment

12. Seasonal adjustment is a means of removing the estimated effects of normal seasonal variation from the series so that the effects of other influences on the series can be more clearly recognised. Seasonal adjustment does not aim to remove the irregular or non-seasonal influences which may be present in any particular month. Influences that are volatile or unsystematic can still make it difficult to interpret the movement of the series even after adjustment for seasonal variation. This means that quarter-to-quarter movements of seasonally adjusted estimates may not be reliable indicators of trend behaviour.

13. The series have been seasonally adjusted from September 1983 and the historical series can be made available on request. The seasonal factors are reviewed annually to take account of each additional year's original data. The review takes place in the February quarter each year. The most recent review took place in February 1995 and revisions to the series are shown in this publication.

14. Details about the method of seasonal adjustment of these series are available on request.

Trend estimates

15. The ABS considers that trend estimates provide a more reliable guide to the underlying direction of the data, and are more suitable than either the seasonally adjusted or original data for most business decisions and policy advice.

16. The trend estimates in this publication, obtained by dampening out the irregular component from the seasonally adjusted series, are calculated using a centred 7-term Henderson moving average of the seasonally adjusted se-

ries. Estimates for the three most recent quarters cannot be calculated using this centred average method; instead an asymmetric average is used. This can lead to revisions in the trend estimates for the last three quarters when data become available for later quarters. Revisions of trend estimates will also occur with revisions to the original data and re-estimation of seasonal adjustment factors. See paragraph 13 above.

17. If a series is highly volatile then the trend estimates will be subject to greater revision for the latest few quarters as data become available. However, it is important to note that this does not make the trend series inferior to the seasonally adjusted or original series. In some cases the effect of the irregular component on overall movements will remain in the seasonally adjusted and the original estimates but not in the trend series.

18. For further information, see *A Guide to Interpreting Time Series - Monitoring "Trends", an Overview* (1348.0) or contact the Assistant Director, Time Series Analysis on (06) 252 6345.

Two feature articles which have appeared in the ABS monthly publication *Australian Economic Indicators* (1350.0) may also be of interest:

- *Picking Turning Points in the Economy* (April 1991); and
- *Smarter Data Use* (March 1992).

Survey design changes

19. From August 1994, the industrial classification used in the design of the Average Weekly Earnings Survey is the Australian and New Zealand Standard Industrial Classification (ANZSIC), replacing the Australian Standard Industrial Classification (ASIC) previously used.

20. A consequence of the introduction of ANZSIC is that in August 1994 there was a higher than normal proportion of newly selected units in the sample. Approximately 55 per cent of the survey units in August 1994 were new to the sample compared with the usual proportion of 5 to 8 per cent.

21. The high proportion of newly selected units resulted in higher than normal standard errors on estimated May 1994 to August 1994 movements. Hence caution should be used when comparing movements between these two quarters with movements between previous and subsequent quarters in the series.

Reliability of estimates

22. As the estimates in this publication are based on information relating to a sample of employers rather than a full enumeration, they are subject to sampling variability. That is, they may differ from the estimates that would have been produced if the information had been obtained from all employers. This difference, called *sampling error*, should not be confused with inaccuracy that may occur because of imperfections in reporting by respondents or in processing by the ABS. Such inaccuracy is referred to as *non-sampling error* and may occur in any enumeration whether it be a full count or sample. Efforts have been made to reduce non-sampling error by careful

design of questionnaires, detailed checking of returns and quality control of processing.

23. The sampling error associated with any estimate can be estimated from the sample results. One measure of sampling error is given by the *standard error* which indicates the degree to which an estimate may vary from the value that would have been obtained from a full enumeration (the 'true' figure). There are about two chances in three that a sample estimate differs from the true value by less than one standard error, and about nineteen chances in twenty that the difference will be less than two standard errors.

24. An example of the use of a standard error is as follows. If the estimated average earnings was \$500.00 with a standard error of \$4.00, then there would be about two chances in three that a full enumeration would have given an estimate in the range \$496.00 to \$504.00 and about nineteen chances in twenty that it would be in the range \$492.00 to \$508.00.

25. An example of the use of a standard error for a quarterly change estimate is as follows. If the estimated standard error for a quarterly change estimate of average weekly earnings was \$1.00 and the quarterly change estimate between two quarters was \$1.50, then there would be about two chances in three that a full enumeration would have given a quarterly change estimate in the range +\$0.50 to +\$2.50 and about nineteen chances in twenty that it would be in the range -\$0.50 to +\$3.50.

26. Quarterly movements in estimates of average weekly earnings are considered to be statistically significant where they exceed two standard errors.

Related publications

27. Users may also wish to refer to the following publications which are available on request:

Average Weekly Earnings, States and Australia (6302.0)—issued quarterly

Distribution and Composition of Employee Earnings and Hours, Australia (6306.0)—issued annually

Job Vacancies and Overtime, Australia (6354.0)—issued quarterly

Employed Wage and Salary Earners, Australia (6248.0)—issued quarterly

Information Paper: New Statistical Series: Employment, Average Weekly Earnings, Job Vacancies and Overtime (6256.0)—issued June 1984

Average Weekly Earnings, Australia 1941-1990 (6350.0)—issued February 1992

Occasional Paper No. 1986/1: Statistics on Wages, Earnings, Income and Labour Costs—A Guide to Their Concepts, Measurement and Usage

Award Rates of Pay Indexes, Australia (6312.0)—issued monthly

The Labour Force, Australia (6203.0)—issued monthly.

Labour Force Projections, Australia 1992-2005 (6260.0)

28. Current publications produced by the ABS are listed in the *Catalogue of Publications and Products, Australia* (1101.0). The ABS also issues, on Tuesdays and Fridays, a *Publications Advice* (1105.0) which lists publications to be released in the next few days. The *Catalogue and Publications Advice* are available from any ABS office.

Unpublished statistics

29. In some cases, the ABS can also make available information which is not published. This information may be made available in one or more of the following forms: microfiche, photocopy, data tape, floppy disk, computer printout or clerically extracted tabulation. Generally, a charge is made for providing unpublished information. Inquiries should be made to the contact officer or Information Services in the nearest ABS office.

Symbols and other usages

p preliminary

r revised

30. The estimates of average weekly earnings are rounded to the nearest 10 cents.

31. Percentage changes are calculated on the actual values and may differ from calculations based on rounded estimates.

Forthcoming Issues

32. The following table shows the dates on which catalogue numbers 6301.0 and 6302.0 are expected to be released.

| | ISSUE | EXPECTED RELEASE DATE |
|------|---|-----------------------|
| 1995 | February 6302.0 (States and Australia) | 18 May 1995 |
| 1995 | May 6301.0 (Australia, Preliminary) | 27 July 1995 |
| 1995 | May 6302.0 (States and Australia) | 17 August 1995 |

APPENDIX A: GLOSSARY

Adult employees are those employees 21 years of age or over and those employees who, although under 21 years of age, are paid at the full adult rate for their occupation.

Average weekly earnings statistics represent average gross (before tax) earnings of employees and do not relate to average award rates nor to the earnings of the 'average person'. Estimates of average weekly earnings are derived by dividing estimates of weekly total earnings by estimates of employment. Changes in the averages may be affected not only by changes in the level of earnings of employees but also by changes in the overall composition of the employed wage and salary earner segment of the labour force. There are several aspects which can contribute to compositional changes such as variations in the proportions of part-time, casual and junior employees, variations in the occupational distribution within and across industries, variations in the distribution of employment between industries and variations in the proportions of males and females.

Employees refers to all wage and salary earners (as defined in paragraph 3 of the Explanatory Notes) who received pay for any part of the reference period.

Full-time employees are permanent, temporary and casual employees who normally work the agreed or award hours for a full-time employee in their occupation and received pay for any part of the reference period; if agreed or award hours do not apply, employees are regarded as full-time if they ordinarily work 35 hours or more per week.

Reference period for the survey refers to the last pay period ending on or before the third Friday of the middle month of the quarter. The reference date for the current survey is 17 February 1995.

Sector. Public sector includes all local government authorities and government departments, agencies and authorities created by, or reporting to the Commonwealth and State Parliaments. All remaining employees are classified as private sector.

Weekly ordinary time earnings refers to one week's earnings of employees for the reference period attributable to award, standard or agreed hours of work. It is calculated before taxation and any other deductions (e.g. superannuation, board and lodging) have been made. Included in ordinary time earnings are award payments, base rates of pay, overaward payments, penalty payments, shift and other allowances; commissions and retainers; bonuses and similar payments related to the reference period; payments under incentive or piecework; payments under profit-sharing schemes normally paid each pay period; payments for leave taken during the reference period; all workers' compensation payments made through the payroll; and salary payments made to directors. Excluded are overtime payments, retrospective pay, pay in advance, leave loadings, severance, termination and redundancy payments and other payments not related to the reference period.

Weekly total earnings of employees is equal to weekly ordinary time earnings plus weekly overtime earnings.

